

**Response to Questions Raised by Councillor Moscoe
on the March 16, 2007 Briefing Note titled
“Use of collection agencies to pursue outstanding parking fines”**

The following provides clarification on the questions raised by Councillor Moscoe in his April 16, 2007 memorandum to the Deputy City Manager and Chief Financial Officer (DCM & CFO) regarding the March 16, 2007 briefing note titled “Use of collection agencies to pursue outstanding parking fines”.

Questions 1 and 2: On the first page of his memorandum to the DCM & CFO (1st two bullet points), Councillor Moscoe raises a number of questions regarding the value of outstanding parking fines and the estimated collection rate.

Staff Response:

As at December 2006, the value of all unpaid parking tickets (from 1989 to December 2006 inclusive) is approximately \$125 million. This amount represents approximately 12% of all parking fines levied during this same time period. Of that \$125 million:

- approximately \$30 million relates to 1989 to 1994 inclusive and falls under the control of the City’s Court Services Division. Prior to 1995 these offences were under the control of the Province and in 2002 any outstanding fines were transferred to the City as part of the transfer of administrative responsibility for the *Provincial Offences* courts. Court Services has assigned the majority of these outstanding fines to collection agencies. Based on the payment experience to date, where just under one-half million dollars has been recovered, it is expected that any future payments will largely be through the plate denial program;
- approximately \$95 million relates to outstanding fines from 1995 to 2006 inclusive and are administered by the City’s Revenue Services Division. Of the \$95 million, approximately \$49 million relates to fines issued from 2004 to 2006 inclusive. Revenue Services has assigned all offenders with outstanding fines from 2005 and earlier, who individually owe more than \$250, to collection agencies. Targeting fines older than three years ensures that the plate denial system has been fully utilized prior to issuing a fine to a collection agency. In total, Revenue Services has assigned approximately \$20 million to collection agencies. It is anticipated that:
 - approximately \$2 million (10% of the \$20 million assigned) is collectible through the use of collection agencies; and,
 - approximately \$55 million is collectible through the plate denial process.

In summary, staff estimate that of the \$125 million in outstanding parking fines as at December 2006, approximately \$60 million (48%) may be collectible with the use of collection agencies and the plate denial process; and, \$65 million (52%) is most likely not

collectible due largely to the fact that the plate denial process is not 100% effective for reasons discussed below.

The \$60 million that staff estimates is collectible with the use of both collection agency services and the provincial plate denial process is based on an analysis of historical payment patterns. The patterns suggest that the bulk of payments will likely stem from offences issued in the last seven (7) years. There is a diminished likelihood of payments for offences that are older than 8 years. For example, from January to August 2007, approximately \$16.8 million has been collected in relation to the \$125 million in outstanding parking fines from 1989 to 2006:

- \$0.8 million for fines issued prior to 2000; and,
- \$16 million for fines issued from 2000 to 2006 inclusive.

The large majority of the \$16.8 million collected in the first eight (8) months of 2007 was through the plate denial process – approximately \$700,000 was collected by collection agencies and the balance was collected at plate denial.

While it is estimated that \$65 million is likely uncollectible, this does not mean that there are 2 million drivers changing their license plates to avoid paying a \$30.00 fine. There are a number of reasons why plate denial is not totally effective in collecting unpaid parking fines, including the fact that:

- a) prior to 2001, offenders could obtain a new license plate, thus avoiding the plate denial process, however, in 2001, the plate denial process began to be enhanced to ensure plate denial of all plates owned by an individual with parking fines in default;
- b) plates owned by people who move out of the province, stop driving, or are deceased will likely never be renewed thus preventing the Province from collecting any outstanding fines through its plate denial process;
- c) a large number of outstanding parking tickets are related to businesses and/or commercial enterprises that are no longer operational. As such, any license plates owned by these defunct businesses will most likely never be renewed and any outstanding fines will not be paid through plate denial.

Question 2: “These firms and their collection agents are on commission. CBCL, one of our contracted firms, has been known to employ some very questionable collection techniques. Please advise how many files have been returned to the City from each of the firms employed.”

Staff Response

The collection tactics employed by CBCL and any of the collection agencies under contract with the City to pursue outstanding parking fines must comply with the requirements of the *Collections Agencies Act*, and the terms and conditions outlined in

the City's contract agreement with the collection agencies. If an agency is found to be in violation of any of these, action will be commenced against the firm up to and including termination of the contract.

To further enhance the restrictions legislated under the *Collection Agencies Act*, a more detailed "code of conduct" is being recommended in this report.

Since January 2004 a total of 1,648,843 files were sent to all collection agencies. Since that time, a total of 103,137 were paid while 34,580 were recalled or returned for re-evaluation. It should be noted that of the above recalled figure, only 6 were recalled due to re-considerations and/or further investigation, while remaining amount represents those offenders who have opted to re-open their cases through the courts or have had extension of time to pay granted by a Justice of the Peace. These 6 cases were retrieved from CBCL since they were the only collection agency employed in 2004 – 2006.

At present, the Revenue Services Division uses two collection agencies, namely CBCL and Financial Debt Recovery Ltd. In 2007, 261,374 files were sent to these collection agencies (each receiving approximately 50% of the 261,374). Of these 261,374, only 3,899 have been recalled or returned to the City (including the re-opening of cases and/or extension of time to pay) while 6,124 totalling \$130,176.25 has been collected to date.

At present, Court Services Division uses three collection agencies, namely ARO, CBCL, and Nor Don. In 2006, 619,286 files were sent to three collection agencies (each receiving approximately 33%, of the 619,286). Of these 619,286 files, 6,642 files totalling \$313,644.15 have been collected to date.

Question 3: Are the collection agencies required to forward all complaints to your department or do they investigate the complaints themselves?

Staff Response:

Under the terms of the agreements, collection agencies are not required to forward complaints to the City. However, any complaints regarding the conduct of the collection agency come either to the City of Toronto or the Ministry of Government Services. This Ministry regulates and monitors the collection agency industry in Ontario and in instances where complaints are found to be substantiated; collection agencies face disciplinary action such as fines or license suspensions.

Recommendation 2 (d) of this report is proposing that collection agencies be required to provide debtors with both the City's and Ministry of Government Services' contact information in all written correspondence with the debtor and upon request of the debtor.

Question 4: When you receive a complaint directly, does anyone telephone the complainant to discuss the matter with them?

Staff Response:

In all instances where the complaint is received by way of the collection agency, by email or by telephone, attempts are made to contact the complainant by telephone. Failing which a response email is provided to the originating email and/or a letter is sent.

Question 5: Is there a record kept of all complaints?

Staff Response:

Records are only kept for complaints where action is necessary. However, notes may be made in the Parking Tag Management System where warranted, such as when follow-up is required or when action has been taken such as sending documents, re-opening the file or de-activating the file from the collection agency roll.

Question 6: Are there written responses provided to complainants? If so, is it a form letter or an individual response?

Staff Response:

Written responses are not provided to all complainants. Rather, written responses are provided only when requested, when the complaint is received in writing or when documents are being sent to complainants to provide information on offences.

All letters that are sent are custom letters and no form letters are used to address complaints.

Question 7: “You indicate that “customers can contact the City’s Parking Tag Operations on line at (416-397-TAGS (8247) to discuss their accounts and/or parking offence history.

1. Do the collection agencies provide this number to their customers?
2. How are these particular “customers” advised of the complaint line?
3. Since there have been 2007 complaints resulting from the collection of 2,000,000 tickets, a complaint rate of .1% are we to conclude that almost all of these so-called “offenders” are happy or are we to conclude that the system is structured to minimize complaints or ignore them?”

Staff Response:

With respect to the City of Toronto’s Parking Tag Operation’s telephone line of 416-397-TAGS (8247), this number has been provided to the collection agencies and we encourage the agencies to share this number with customers when contacting offenders. The calls received by the Revenue and Court Services Divisions have provided evidence that the collection agencies are sharing this number with offenders and customers. As a further measure of quality control, routine visits to the collection agencies are scheduled to ensure control and proper service delivery as stipulated in the contracts.

We cannot ascertain why the number of complaints is so low; however, our experience since 2004 with collection agencies has shown that most offenders call in with respect to obtaining more information on their particular offences, as opposed to complaining about the process or conduct of the collection agencies. The fact that only 6 files were recalled from a total of approximately 1,029,000 files indicates that the collection agencies have been performing well. It is important to note that the 6 files returned were not returned due to conduct of the collection agencies, rather they dealt with personal offender information for which the Revenue Services Division opted to recall the files. Also noteworthy is that on many files contact with the payer has not been successful.

The Revenue Services and the Court Services Division receives referrals from persons who wish additional information about their fine and during the investigation period, the collection agency places these files in abeyance pending further investigation.